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UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service

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FEDERAL-STATE RELATIONS  
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U. S. Department of Agriculture

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Address, Annual Meeting, National Association of Marketing Officials  
St. Louis, Mo., October 28, 1941

It is always a pleasure to meet with this group, even though I may not have anything of particular significance to tell you. These annual meetings give us an opportunity to exchange views on problems arising during the year in connection with our cooperative relationships.

In discussing the subject of Federal-State relations, I should like to begin with a few figures to show how extensive these relations are. We have 399 cooperative agreements in effect. Of this total, 264 are with State Departments of Agriculture, including bureaus of markets, 57 are with State colleges of agriculture, including both experiment stations and extension services, and the remainder are with other State or municipal agencies or trade bodies.

It is apparent, I think, that the Agricultural Marketing Service follows a general policy of cooperating with other agencies in carrying on its work and cooperation is most active in connection with crop reporting, market news, and inspection work. Of the total of 399 agreements in effect, 230 apply to inspection work, 42 to crop reporting, and 33 to market news.

Many Services Began During World War

With the exception of crop reporting, most of our cooperative agreements deal with activities that had their beginning in the last war or grew out of experiences gained during that period. That crop reporting grew out of war experience might also be said for it was authorized in 1863. Periods of great national emergency tend to unify all national effort -- to direct our energies to a single purpose. That means increased governmental assistance, direction, and control in order to obtain higher efficiency in the use of man-power and production resources. When the most acute part of the emergency passes, many of these Governmental activities are discontinued or greatly reduced. Some of them are continued. That was what happened following the last war. But no one knows what the picture will be like at the end of this one.

With headlines in the papers telling us of the destruction of life and property at a faster rate than at any time in all history, with billions being appropriated by our own Government for the production of war material in quantities beyond the imagination of any of us, we naturally begin to wonder what effect these tremendous convulsions will have on our work. How will the marketing services with which we are familiar fit into the marketing methods of the future? None of us knows. We can feel reasonably sure, however,

that whatever changes the future may bring, we will always need information as a basis for appraising production and marketing problems; we will always need standards or specifications of some kind for describing variations in quality; and we will need somebody to interpret such standards in connection with individual transactions. Consequently, it seems to me we should keep on trying to improve and perfect these services to the fullest extent of our ability.

### Marketing Work Accelerated By Defense Program

Any discussion this year of the work of the Agricultural Marketing Service, and particularly those activities on which we are cooperating with the States, necessarily raises the question as to how these activities have been affected by the Defense Program. Up to the present time the work pattern of the Agricultural Marketing Service has not been materially changed, but some of its lines of work have been considerably accelerated by the Defense Program.

As you know, the Secretary of Agriculture has just held four regional conferences at which he explained the need for increasing the production of certain farm products. The program does not represent an increase in all agricultural products because for some we already have surpluses. It does propose increases over last year, however, of about 7 percent for milk, 9 percent for eggs, 5 percent for fresh fruits and vegetables, about a 12 percent increase in hog slaughter, and roughly a 30 percent increase in farm gardens, as well as adjustments in many other items. This means 9 billion pounds more milk, 500 million dozen more eggs, and slaughtering 8 million more hogs and 3 million more cattle. It probably means a billion dollars worth of food for Britain.

In every emergency, and in planning for emergencies, there is an increase in demand for information regarding agriculture. The Secretary has stated many times that, in his opinion, "food will win the war and write the peace." The importance of food in this war cannot be overemphasized, not only during actual hostilities but in the period of reconstruction immediately following. This means that adjustments in our agriculture should be guided by the most comprehensive knowledge of the whole agricultural situation that we can obtain. Consequently, the Agricultural Marketing Service, through its Division of Agricultural Statistics, has been hard-pressed to supply the statistical information needed. We are in better position to supply such information than we were at the beginning of the last war, and information as to acreages planted and harvested, yields, production, and numbers of live-stock produced is generally rather comprehensive. But we do not have all the detailed information desired, and we are particularly short on information as to stocks of certain commodities.

Dozens of requests for information are received daily from various agencies of the Government working on defense activities as well as from people outside who are affected by the activities of the Government. These requests call for special tabulations and special surveys. For example, last spring there was considerable concern as to whether or not we would have an adequate supply of vegetable seeds. A large quantity of the vegetable seed used in this country was imported from Europe, but as those markets were closed, it was necessary to produce much of our own seed or obtain it elsewhere. A survey of that situation was made -- the first since the last war. It may have to be repeated again this year.



### Information Sought on Labor Supply and Equipment Needs

Whenever a conference of agricultural people is held these days and the question of increased production is discussed, two questions are almost certain to be asked. Will we have an adequate supply of labor? Will we be able to get machinery and replacements of parts? This situation has necessitated special surveys of dairy plant capacities and equipment in order to determine what may be expected in the way of increased production and also what additional machinery might be needed. Similar surveys have been made or are being made of canning plant capacities, cold storage warehouses, and grain storages.

The Second Supplemental National Defense Bill carries some additional funds with which to develop more comprehensive figures with respect to the farm labor situation. Other than that, the numerous requests for additional data have been handled as a part of our regular program of statistical work although the question may soon confront us as to whether some of the regular work may have to be curtailed to care for the emergency activities. Field statisticians of the Agricultural Marketing Service have been made members of the State Agricultural Defense Boards recently established by the Secretary in each State. It is the duty of these Boards to coordinate national defense work as it pertains to agriculture in each State. The work of these Boards necessarily will increase the work of our field offices, especially those engaged in collecting crop and market information.

We are cooperating with 35 States in carrying on the crop reporting work.

### Market News Work Expanded

The market news work has been affected thus far somewhat less than crop reporting. Market reporting, as you will recall, was started during the last war. The value of reliable information as to current market supplies and prices when widely disseminated among farmers and distributors was so rapidly recognized that the work was continued and improved since the war period. While conditions are not the same during this emergency, it is probable that more and more market information will be required as Defense activities are intensified.

The principal development in the market news work during the past year has been the expansion of so-called consumer broadcasts and a further increase in the dissemination of market information by radio. At the present time more than 400 radio stations are devoting time each day to the broadcasting of market information. Programs primarily of interest to consumers have been developed in about 20 markets.

Public response to these programs is generally encouraging. As prices rise, it is more and more important that consumers understand the basic facts relating to supply and demand, particularly of perishable products. Should it become necessary to regulate prices, as is authorized in the pending price control bill now before Congress, any enforcement of such measures would require market information on a broad scale and in considerable detail.

In carrying on the market reporting work we are cooperating with 24 states.

The basis of cooperation in carrying on these two activities has been that that part of the information which is of national importance and which is needed to round out the national agricultural picture, should be obtained by the Federal Government, and the expenses of collecting it should be paid from Federal funds. The further breakdown of the program to include items primarily of local interest should be provided with State or local funds. To-day, generally speaking, the desire for additional information in both the crop and market reporting fields is to provide more information of local interest. When we hear the criticism, as we frequently do, that the Federal Government should be doing more in these fields, it is probably only fair to suggest that there is also ample opportunity for the States more fully to develop their side of the picture. In these times, perhaps it might be just as well for some of the State people to consider whether or not the States might carry a larger part of the cost of further expansion.

The regulatory work of the Agricultural Marketing Service has not been greatly affected thus far by the Defense Program. So far as Federal-State relations are concerned, I should like merely to note at this point that during the past year we entered into cooperative agreements with 44 States in connection with the enforcement of the new Federal Seed Act. The purpose of these agreements is to bring to bear both Federal and State resources in giving farmers the protection afforded by this Act. These agreements mean that more than 200 State seed inspectors will be assisting in the enforcement of the Federal Act. These men, operating as State employees, are authorized to take samples of seed which they may have reason to believe has moved in interstate commerce in violation of the Act. Samples taken by them will be sent to the laboratories of the Agricultural Marketing Service for testing and the development of evidence as a basis for prosecution or seizure when the facts warrant such action.

#### Inspection Work Increased Under National Defense Program

Now let us talk a little about inspection. Our cooperative relations are more extensive in that field than in any other. When the Surplus Marketing Administration was given the job of purchasing food supplies to aid the democracies under the Lend-Lease Act, the Agricultural Marketing Service agreed to undertake the inspection of such purchases. Our commodity divisions were not equipped to make inspections of all commodities which might be purchased. It was agreed that in such instances we would arrange in whatever manner might be most feasible to have the necessary tests or examinations made but that the Agricultural Marketing Service would be responsible for the inspection work. This arrangement has meant an enormous expansion in the work of our commodity divisions, particularly those dealing with canned fruits and vegetables, dairy and poultry products, meats, and grains.

The Agricultural Marketing Service, of course, did not have appropriated funds with which to undertake such an expansion. It was, therefore, necessary to arrange for the transfer of funds from the Surplus Marketing Administration and, so far as practicable, through trust funds and cooperative agreements to use inspection fees collected from vendors. One means of meeting the situation was the submission to all the States of a new agreement, (which has been signed by all except three States) under which fees in connection with Federal purchases would be deposited into a central trust fund and made available therefrom for defraying expenses. To a considerable extent,



this has provided the needed flexibility in the inspection setup, and the cooperation of the States in this respect has contributed greatly to meeting the problem of inspecting Federal purchases.

Merely to illustrate the size and variety of the job, a few items covering purchases from March 15 to September 30 might be mentioned. These include 220 million pounds of lard, 315 million pounds of pork meat products, 80 million pounds of cheese, and 24 million pounds of dry milk, 18 million pounds of dried eggs, 66 million pounds of frozen eggs, 4 million cases of canned tomatoes, more than 50 million pounds of dried fruits, 127 million pounds of cornstarch, 20 million pounds of cracked wheat, 77 million pounds of oat cereal, more than 3 million cases of canned fish, and a variety of other items including considerable quantities of vitamin concentrates. Altogether, I think the purchase list now comprises 94 articles.

By and large, I think we all agree that a reasonably good job of inspection has been done, though there is still plenty of room for expansion and improvement. I think it is well for us now and then, and especially when we get together in meetings such as this, to take stock of the situation, to try to anticipate how it probably will look in the reasonably near future, and to determine what can be done to strengthen the weak points. Consequently, let's consider some of the problems arising in connection with our cooperative agreements covering the inspection of fresh fruits and vegetables.

As most of you know, this work began during the last war. It was authorized as a part of a war emergency bill passed in August 1917. The work was started in the terminal markets and the official inspection certificates issued were used extensively by the Food Administration in settling disputes between buyers and sellers as a part of the effort to speed up the distribution of fresh fruits and vegetables. The value of official inspection was so apparent that in 1918 authority for continuing the work as a **peace-time** activity was incorporated in the Agricultural Appropriation Bill and has been continued ever since.

The advantages of official inspection of fresh fruits and vegetables in the markets soon developed a widespread interest in having official inspection available at shipping points as well. About 1923, authority was provided to extend the work to shipping points but no additional Federal funds were made available for that purpose. The work was undertaken through cooperative agreements, mostly with State Departments of Agriculture or Bureaus of Markets in the States. Most of the States, like the Federal Department, had no appropriated funds for such work, but many of them did have authority to cooperate and to collect inspection fees and to use such fees for defraying the cost of the work. In some States, authority was obtained from the Legislature to cooperate, as well as to adopt the Federal grades, and in some cases, State funds were provided to assist in developing and maintaining the service.

Cooperative agreements are now in effect in 47 States. During the last fiscal year 544,837 carloads were inspected at shipping points and 46,106 in the markets. In addition, 886,184 tons of raw products were inspected at processing establishments and many million pounds of fruits and vegetables purchased by Federal, State, and municipal purchasing agencies also were inspected. The year's work totaled the equivalent of 650,190 carloads. The present widespread organization and the flexibility with which it could

be expanded have enabled us to meet emergency situations which would not have been possible without existing cooperative relationships.

### Inspection Must Be Unified Program

In talking with State officials from time to time, however, there is a noticeable tendency for some of them to regard the fruit and vegetable inspection work as consisting of two separate parts - the work in the markets and the work at shipping points. This is unfortunate. I can understand, however, how this attitude might develop, because, for the most part, the offices in the markets are manned by inspectors who are appointed under Federal Civil Service regulations with full Federal status and paid from Federal funds. The work at shipping points was established later and is conducted almost entirely on a cooperative basis -- the inspectors being employed by the States but trained, licensed, and supervised by Federal representatives. A substantial measure of uniformity has been attained but there is still much room for improvement in that respect.

The volume of inspections at shipping points increased rapidly because growers and shippers found it advantageous to have evidence, in the form of an official inspection certificate, of the quality of produce they were handling, both as a protection to themselves and as a basis for trading. With the rapid increase in the work at shipping points, there has been a decline in the volume of work in the markets. Consequently, the inspectors in the markets seem largely to handle appeals and to make reinspections for condition and to inspect some shipments that were not previously inspected at shipping points.

On previous occasions when we have discussed cooperative relations on inspection work, I have tried to emphasize the importance, both from the standpoint of administration and of financing the work, of regarding this activity as a single administrative unit -- not as an organization consisting of 47 more or less autonomous parts. The growers, shippers, and distributors who rely upon our certificates are not likely to show much patience with the legal, fiscal, and administrative technicalities, both Federal and State, which must be observed. They expect (and I think they have a right to expect) that the work will be just as competently performed in one State as in another and will be just as carefully and impartially done at the shipping point as in the terminal markets.

### Personnel Requirements Vary

Let us consider for a moment some of the administrative problems which arise out of our cooperative relationships. The inspectors engaged on the work at shipping points are employed by each of the 47 States with which cooperative agreements are in effect. This means that we have a wide variety of personnel requirements. There are many variations in the States as to the salaries paid to inspectors, as to provision for payment of expenses when reporting for duty, and as to State Civil Service regulations and requirements. And then occasionally political considerations arise to complicate the problem further. All these problems would not be so serious if year-round work were available to the men. But with the exception of a very few States, the seasonal production and marketing of fruits and vegetables does not lend itself to year-round employment. This means that after the season is over a man must



find other work or try to find inspection work in another State. We find such situations as a man being employed in one State at a rate of \$45 or \$50 per week for several months and then having to move on to another State where the salaries paid may be \$40, \$35, \$32.50, or even as low as \$20 a week. In some States, the men receive from \$12.50 to \$25.00 for reporting expenses, and in other States no provision is made for such expenses. Some States seem to follow the practice of laying off a man as soon as he can be spared, even in the middle of the week, and leaving him to his own devices to find work elsewhere. Except in one or two instances, there appear to be no arrangements for vacation or for sick-leave.

In some States residence requirements are in effect, which operate to prevent out-of-State inspectors from securing employment. This particular restriction operates as a barrier in those States that cannot provide year-long employment or cannot otherwise find work for the force of inspectors needed at the peak of the shipping season. In one State, the practice is followed of registering inspectors so that they can comply with the residence requirements in the event they desire to be considered for work in that State. There is nothing in the law under which the Agricultural Marketing Service operates, nor in the cooperative agreements, which authorizes the imposition of such requirements on men engaged on inspection work. All these variations and restrictions emphasize my point that there is a need for greater coordination and closer correlation of administrative practices. The inspection service should be national in scope, not an organization consisting of 47 more or less independent operating units.

#### Fair Play Needed In Employee Relations

We have been amazed to see what high caliber men remain with the inspection work in spite of these difficult employment conditions. Most of these men continue with the work because they like it and obviously do not seek jobs strictly for financial advantage. Many of the men who helped to pioneer in this work and to bring it to its present stage of effectiveness, are now in their middle forties and are still faced with much the same uncertain conditions as to security of employment and income as faced them when the work was started.

You are just as familiar as I am with the growing tendency throughout all labor relations to insist upon a higher degree of security through more continuous employment, better pay, and better working conditions. It seems to me that, in fairness to these men and in the best interest of the service as a whole, we must give early consideration to these problems and try to find ways of solving them more satisfactorily than we have thus far. None of us will be very effective alone, but together I am sure we can improve these conditions. It is our opinion that we will have increasing difficulty in holding many of these men.

Along with the other problems suggested for consideration, there appears to be no provision to take care of men who may be injured on official work or in traveling from one State to another. In instances of this sort, inspectors have helped each other by passing the hat to raise funds to aid those who have become temporarily incapacitated. As administrators of this work, I feel we all have a responsibility to try to do something more than we have done to correct some of these conditions.

Now let us talk a little about some of the financial problems. A moment ago, I mentioned an apparent tendency on the part of some State officials to look upon the work in the markets and at shipping points as two separate units. Frequently, we hear the question asked by State officials "Why do we have to pay 15 cents per certificate into the Federal Treasury as an overhead charge?" or "Why are any payments required from the States at all?" Some seem to think that because the work may be fully self-supporting in their State, they have no interest in whether it is self-supporting in the markets or whether it is self-supporting in other States. In other words, there is a failure to recognize that the organization is a national organization serving commodities which move primarily in interstate commerce, and that the more efficient marketing of these commodities is of concern to all the States.

When we go before Budget officials and committees in Congress to justify our appropriation estimates for inspection work, these men do not manifest any particular interest in whether the work is self-supporting in the markets or at shipping points or whether it is self-supporting in one State and not in another. They want to know why we do not turn in to the Treasury as much as was appropriated for use in carrying on this work. In other words, they want to know why the Treasury cannot be fully reimbursed for this appropriation. Considering our problem from this viewpoint, it means that all operating costs, including whatever deficits may develop in any of the market offices - and that is where the principal deficit occurs - should be covered by the fees collected.

#### Two Offices Closed Last Year

I do not mean to say that an unprofitable market office should be continued indefinitely. We have closed two offices in the past year. This means that shippers must pay the traveling expenses of an inspector from the nearest inspection point. The closing of additional offices would further reduce the service available to the whole fruit and vegetable industry. There are two methods of solving this problem: Additional markets will be closed because Federal funds will not be available to maintain them, or we can cover the deficits in the market operation by increasing the amount deposited into the Treasury from collections at shipping points.

Under the cooperative agreements, the fees are collected by the State agencies and, for the most part, become available immediately to pay the cost of the service. Except in those instances where inspection is mandatory by State law, I think it can be said that these fees grow out of the authority granted in the Federal statute. By reason of the cooperative set-up, they are neither strictly State funds nor strictly Federal funds. We have considered, however, that our legal responsibility ends with making sure that the Federal Government collects the amount due it under the cooperative agreement. Consequently, we have not required, as a part of the cooperative agreement, a complete accounting of all expenditures. We have observed, however, that in some States the income from the fees is covered into the general funds of the State and expenditures are covered by appropriations. We do not know in all such cases whether the collections exceed the appropriations or not. In one case the State Government levies an assessment on the fee fund -- I think 10 percent -- and requires this pro-rata part of the fund to be paid into the general funds for State Administration. In some States, we understand regular



expenditures of the State Government, such as parts of the salaries of State officials whose positions are authorized by State statutes, are charged to the inspection fee fund. In other cases, overhead charges are made against the fee fund to help maintain State activities. In some cases, rather large reserves have been built up, and of course in other States collections are not sufficient to handle the work adequately.

#### Larger Contributions Needed From State Agencies

We think that the inspection work conducted under cooperative agreements with the Federal Government should not be a revenue-producing item for the State, especially when the Federal Government is going into its general funds to make up annual deficits. Accordingly, I feel that during the next year, we must give consideration to making some changes in the cooperative agreements in order that our cooperation may be more uniform as to many points of procedure and responsibility, and that the Federal Government shall be more fully reimbursed than it has been for its expenses. And do not forget that the basis of the inspection work is the standards which have been established by the Federal Department. We are spending about \$30,000 a year in research in order to improve and maintain these standards in workable form and to meet changing conditions in the marketing and handling of these products. We have provided a national standardization laboratory to aid the industry in that field. But it could be argued that a considerable part of this expenditure is as much a part of the cost of inspection as is the actual examination of the product itself.

I realize that questions of the character I have raised cannot be discussed in detail or settled at a meeting of this kind, but I am convinced we must take steps to improve the inspection organization in many respects. Perhaps this Association would like to appoint a small committee made up of men from the States that are active in inspection work, who could meet with us in order to see what can be done to provide a more uniform cooperative agreement - one that will be more nearly applicable in all the States.



